

16 May 2014

The Hon Tim Nicholls MP
Treasurer and Minister for Trade
GPO Box 611
BRISBANE QLD 4001
(email: treasurer@ministerial.qld.gov.au)

Dear Treasurer,

The Chamber of Commerce and Industry Queensland (CCIQ) believes the debate on asset sales must be had in the interests of Queensland's economic future. Accordingly, CCIQ wishes to provide useful input to the Strong Choices initiative and has undertaken a survey to examine small business views on paying down the State's debt. The survey results are enclosed.

The majority of small businesses (67%) prefer to reduce the level of government services as the mechanism to pay down the State Government's accumulated debt. The small business community believe there is still more that can be done to improve the efficiency of agencies and to broaden contestability so that government service provision returns to a more affordable level. However, CCIQ is cognisant that such action would be unpopular, especially in the lead up to an election early next year.

In this context, small business owners were deliberately asked to choose between increasing business taxes and selling assets to pay down government debt. When faced with the prospects of higher taxes, the support for selling assets rises substantially to 61%. This result aligns with CCIQ's longstanding position that raising taxes is not the answer to addressing the State's budget issue.

When asked about the particular types of assets to sell, small business owners revert back to their initial opposition. The majority of small business owners are opposed to the sale of electricity generation assets (almost 65%), electricity network assets (nearly 62%) and transport infrastructure assets (around 61%). Location did not influence small business views. The level of support for asset sales remains subdued irrespective of whether the business was located in South East Queensland or regional areas.

This opposition stems from concerns relating to price and service quality outcomes under private ownership. The impacts on prices are of particular concern, with almost 63% of small business owners indicating that the sale of electricity and transport assets in their view would lead to higher prices. Business anxiety is not surprising as business operating costs, especially higher electricity prices, continues to weigh heavily on small businesses. In most cases, small businesses have had to absorb these higher costs to retain customers. Price impacts are therefore a key driver of small business views on asset sales.

By contrast, there were somewhat mixed results on the impacts on services. Over 38% of small business owners indicated that the standard of services would improve following the sale of electricity and transport assets. Interestingly, about the same proportion (37%) of small businesses located in regional areas indicated services would improve with asset sales. There appears to be a degree of confidence in the

private sector being able to deliver higher quality of services through greater operational efficiency. This would imply that small businesses are more aware of the benefits of outsourcing and are willing to support options for increasing private sector involvement in service delivery.

Overall, the results show that there is still significant apprehension amongst Queensland small businesses about potential asset sales. Just over 46% of small business owners retain an ideological belief that government should be the owner of electricity and transport assets. Furthermore, this belief is consistent across metropolitan and regional areas. While CCIQ considers there is a compelling case in favour of asset privatisation, the results of the survey highlight that more evidence is needed to convince the Queensland small business community of the long term benefits.

The key message from the survey results is that benefit to the budget alone will not be enough to get the Queensland business community's support for asset sales. Any proposal to sell public assets will ultimately need to demonstrate the benefits in terms of lower prices and better service outcomes.

CCIQ recommends the State Government:

- ensure each type of asset being considered for sale is subject to a rigorous cost-benefit assessment, with a particular emphasis on ensuring outcomes in the areas of price and service are not compromised should assets be sold
- use outcomes on price and services as the basis of an education and awareness campaign on the benefits of privatisation for business, and
- continue to consider alternative ways to increase the share of government services provided by the private sector.

CCIQ remains committed to working collaboratively with the State Government to ensure the public discussion on asset sales is based on impartial evidence and rigorous analysis. CCIQ respectfully requests that consideration be given to Queensland business views in formulating options for how best to restore the State's budget position.

Yours sincerely,



Nick Behrens
General Manager - Advocacy